

Message Text

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ACTION EUR-12

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C O N F I D E N T I A L LISBON 5630

E.O. 11652: GDS
TAGS: PINT, PO
SUBJECT: SHORT-TERM PROSPECTS OF SOARES GOVERNMENT

REF: (A) STATE 169465 (B) LISBON 2145

SUMMARY: THE GOVERNMENT'S AGRARIAN REFORM LEGISLATION WILL
PROBABLY PASS WITH PSD SUPPORT. A DEFEAT WOULD ENDANGER
MAJOR ECONOMIC MEASURES BEFORE THE ASSEMBLY AND SET IN
MOTION EVENTS WHICH COULD LEAD TO A CHANGE IN GOVERNMENT.
END SUMMARY.

1. OVERTAKEN BY EVENTS: BY THE TIME YOU RECEIVE THIS
RESPONSE THE RESULTS OF THE VOTE ON THE AGRARIAN REFORM
MEASURE MAY ALREADY BE KNOWN. OUR ESTIMATE IS THAT THE
GOVERNMENT'S PROPOSAL WILL PASS WITH PSD SUPPORT BUT THE ISSUE
IS A CLOSE ONE. THE PCP, PS LEFT-WING DISSIDENTS, AND THE
SINGLE UDP DEPUTY WILL OPPOSE. PSD SUPPORT WILL BE BASED
ON PS-PSD AGREEMENTS COVERING THE AGRARIAN REFORM LAW
AND OTHER IMPORTANT ECONOMIC LEGISLATION. BASED ON
THESE UNDERSTANDINGS, THE ASSEMBLY IS LIKELY TO PASS
THE AGRARIAN RENTAL PROPOSAL OF THE PSD, THE LAW ON
INDEMNIZATIONS FOR NATIONALIZED PROPERTY, AND SEVERAL
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ADDITIONAL MEASURES. THE ASSEMBLY VOTE ON THE MEDIUM-
TERM ECONOMIC PLAN IS LIKELY TO BE DELAYED UNTIL
OCTOBER WITH A GOVERNMENTAL COMMITMENT TO NEGOTIATE
THE TERMS OF THE PLAN WITH THE PSD. AT THAT TIME, THE
GOVERNMENT WOULD FACE ANOTHER SERIOUS TEST UNLESS IT
HAS COME TO A SOLID AGREEMENT WITH ANOTHER PARTY.

2. EFFECTS OF DEFEAT: A LAST MINUTE SWITCH BY THE PSD UNDER SA CARNEIRO'S MERCURIAL LEADERSHIP IS POSSIBLE BUT UNLIKELY. ASSUMING A GOVERNMENT DEFEAT OUR ESTIMATE OF THE POLITICAL EFFECTS FOLLOWS.

-- NO RESIGNATIONS: THERE WOULD PROBABLY BE NO IMMEDIATE EFFECT ON THE COMPOSITION OF THE SOARES GOVERNMENT. AGRICULTURE MINISTER BARRETO HAS DENIED THAT HE WOULD RESIGN IF THE BILL FAILS. BOTH BARRETO AND PS PARLIAMENTARY LEADER SALGADO ZENHA HAVE SAID THE GOVERNMENT WOULD SEEK OTHER MEANS TO PURSUE ITS AGRARIAN PROPOSALS. PRESUMABLY PARTS OF THE OVERALL AGRARIAN PACKAGE WOULD BE SUBMITTED SEPARATELY TO THE ASSEMBLY. OTHER PORTIONS WOULD BE ENACTED BY THE GOVERNMENT AS DECREE LAWS. THE BUSINESS OF THE GOVERNMENT WOULD PROCEED. THE GOVERNMENT WOULD NOT RESIGN.

-- BUT TROUBLE IN STORE: THE TENURE OF THE GOVERNMENT WOULD DEPEND PRIMARILY UPON THE SUBSEQUENT ATTITUDES ASSUMED BY THE PSD AND CDS. BOTH PARTIES WOULD PROBABLY PRESS THEIR ADVANTAGE TO PUSH FOR FURTHER MAJOR CONCESSIONS FROM SOARES. SA CARNEIRO WOULD TRY TO FORCE HIS WAY INTO THE GOVERNMENT OR BRING IT DOWN. THE REMAINDER OF THE GOVERNMENT'S ECONOMIC PACKAGE WOULD BE HELD CAPTIVE TO FURTHER MAJOR CONCESSIONS. THE GOVERNMENT WOULD RESIST. A SERIES OF PS PARLIAMENTARY DEFEATS WOULD ENSUE. A SUCCESSFUL CENSURE MOTION, EVENTUALLY BRINGING DOWN
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THE GOVERNMENT IS A POSSIBILITY. BUT THIS PROCEDURE IS DIFFICULT AND WOULD REQUIRE THE SUPPORT OF ALL OPPOSITION PARTIES (REF B). IF THE IMPASSE PERSISTED, PRESIDENT EANES MIGHT STEP IN TO FORCE A GOVERNMENT RESHUFFLE INCLUDING MEMBERS OF THE OPPOSITION. ALTERNATELY SOARES MIGHT TAKE HIS CASE TO THE PEOPLE AND CALL FOR NEW ELECTIONS. IN EITHER CASE, MAJOR ECONOMIC LEGISLATION AND THE RECOVERY PROCESS WOULD BE DELAYED.
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